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Commodity Stabilization Service

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PARITY PRICE-SUPPORT LEVELS DIRECTED OR AUTHORIZED BY FARM LEGISLATION

Price-support operations have been carried on by the Commodity Credit Corporation since 1933. Over most of this period the level of support either has been directed or authorized by specific price legislation. The following tabulations show the support levels, in terms of parity price percentages, directed or authorized. The levels also are discussed in some detail in supplementary notes.

Actual dollars-and-cents support levels are covered in "Price Support Statistical Handbook" and supplemental price-support tabulations.

SUPPORT LEVELS

Basic Commodities

<u>Crop years</u>	<u>Commodities</u>	<u>Support levels directed or authorized</u> <u>(Percentages of parity)</u>	
1933-37	Corn, cotton.1/	(55-76)
1938-40	Corn, wheat, cotton		52-75
1941	Corn, wheat, cotton, rice, tobacco.		85
	Peanuts		50-75
1942-43	Corn, wheat, cotton, rice, tobacco, peanuts2/3/	90
1944	Corn, wheat, rice, tobacco, peanuts	3/	90
	Cotton.		95
1945-48	Corn, wheat, rice, tobacco 4/, peanuts.	3/	90
	Cotton.		92½
1949-50	Corn, wheat, rice, cotton, tobacco 4/, 5/, peanuts.		90
1951	Corn, wheat, rice, cotton, tobacco 4/, 5/, peanuts	6/	80-90
1952	Corn, wheat, rice, cotton, tobacco 4/, 5/, peanuts.	6/	75-90
1953-54	Corn, wheat, rice, cotton, tobacco 4/, 5/, peanuts.		90
1955	Corn, wheat, rice, upland cotton, tobacco 4/, 5/, peanuts		82½-90
	Extra long staple cotton 7/		75-90
1956	Corn, wheat, rice, upland cotton, extra long staple 7/, cotton, tobacco 4/, 5/, peanuts		75-90

1/ Support, which was non-mandatory, was established at specific cents-per-Agriculture - Washington

bushel and cents-per-pound rates. The percentages shown reflect support prices in relation to parity prices. Cotton was not supported in 1936. 2/ The Stabilization Act of 1942 called for support at 90 percent, but section 8 (c) of that act permitted support at lower levels in order to hold down feed costs and "to aid in prosecution of the war." Corn, wheat, and rice in 1942 and corn and wheat in 1943 were supported at 85 percent of parity. 3/ Mandatory levels shown applied to loans only. Cotton of the 1944 and 1945 crops was purchased for support at 100 percent of parity. 4/ The act of July 28, 1945, specified support on fire-cured tobacco at 75 percent of the Burley rate and on dark air-cured and Virginia sun-cured at 66-2/3 percent of the Burley rate. 5/ The Agricultural Act of 1949 calls for tobacco supports at 90 percent of parity if marketing quotas are in effect. 6/ Because of the Korean War, supports for the basics were held at 90 percent of parity, except that 1951-crop peanuts were supported at 88 percent. 7/ Extra long staple cotton must be supported at the minimum indicated by the supply level of the beginning of the marketing year.

Mandatory Nonbasic Commodities

<u>Crop years</u>	<u>Commodities</u>	<u>Mandatory support levels</u> <u>(Percentages of parity)</u>
1933-1940	None	None
1941	"Steagall" commodities: Manufacturing milk, chickens, eggs, hogs <u>1/</u>	Not less than 85
1942-48	"Steagall" commodities: Manufacturing milk, butterfat, chickens, eggs, turkeys, hogs, dry peas, dry beans, soybeans for oil, flaxseed for oil, peanuts for oil, American Egyptian cotton, Irish, potatoes, and sweet- potatoes <u>1/</u>	Not less than 90
1947-48	Wool	The 1946 support level— 42.3 cents a pound for shorn wool, grease basis.
1949	Manufacturing milk, butterfat, chickens, eggs, hogs, and Irish potatoes harvested in the calendar year 1948 and marketed in the calendar year 1949	90
	Dry beans, dry peas, soybeans, flaxseed, peanuts for oil, American Egyptian cotton, turkeys, sweetpotatoes, and Irish potatoes harvested and marketed in the calendar year 1949	Not less than 60 nor more than the 1948 level of support
	Wool	The 1946 support level —42.3 cents a pound for shorn wool, grease basis

1950	Milk, butterfat, and products of milk and butterfat	75-90
	Tung nuts, mohair, honey, wool <u>2</u> /, Irish potatoes <u>3</u> /	60-90
1951-54	Milk, butterfat, and products of milk and butterfat.	75-90
	Tung nuts, wool <u>2</u> /, mohair, honey.	60-90
1955-56	Milk, butterfat, and products of milk and butterfat	75-90
	Tung nuts, honey	60-90
	Wool	Not over 110 <u>4</u> /
	Mohair	Not more than 15 percent above or below the comparable percent of parity wool incentive level

1/ Although "floors" were set for supports on the Steagall commodities, there were no upper limits on the level of price supports. Some commodities, including flaxseed and soybeans, were supported above 100 percent of parity or comparable price for a while during World War II.

2/ The Agricultural Act of 1949 required support at the level necessary to encourage annual production of 360,000,000 pounds of shorn wool. This provision meant support at the 90-percent level.

3/ The Agricultural Act of 1949 made support mandatory for Irish potatoes through the 1950 crop, but Public Law 471, 81st Congress, provided that there could be no support in the absence of marketing quotas. Inasmuch as there is no legislative authority for quotas on potatoes, P. L. 471 has the effect of nullifying mandatory supports for potatoes. However, the Agricultural Act of 1954 authorized permissive supports on potatoes at 0-90 percent of parity.

4/ The maximum level is 110 percent if the incentive payment method is used. If other methods are used, the maximum level support is 90 percent and the minimum 60 percent.

"Permissive" Commodities

Some commodities are supported even though supports are not mandatory. Permissive commodities that have been supported at one time or another since 1933 but which are not now supported include flax fiber, hemp fiber, hempseed, castor bean seeds, olive oil, canned fruits, canned vegetables, concentrated grapefruit juice, hops, figs, dates, prunes, raisins, pecans, walnuts, numerous different

kinds of hay and pasture seeds, several different kinds of winter cover crop seeds, lamb, mutton, Puerto Rican blackstrap molasses, and sugar beets.

Permissive commodities under support in 1956 included barley, oats, rye, grain sorghums flaxseed, soybeans, dry edible beans, cottonseed, and crude pine gum. These commodities can be supported at any level between 0 and 90 percent of parity, but supports actually range from 70 to 90 percent.

The material that follows discusses in some detail price-support legislation and the support levels directed by that legislation.

The Early Programs (1933-37)

Prices of only two commodities—corn and cotton—were supported by the Commodity Credit Corporation during the 1933-37 period. Support, not mandatory at the time, was carried out for corn and cotton under authority granted CCC by its Delaware charter. Per-bushel support prices for corn were: 1933, 45 cents; 1934, 55 cents; 1935, 45 cents; 1936, 55 cents; and 1937, 50 cents—a range of 55 to 68 percent of the parity price. Per-pound supports for cotton were: 1933, 10 cents; 1934, 12 cents; 1935, 10 cents; 1936, no support; and 1937, 9 cents. These supports ranged from 53 to 76 percent of the parity price.

(The principal legislative tool for stabilizing agricultural prices and incomes in this period was the Agricultural Adjustment Act of 1933, which provided for production controls, implemented by processing taxes, on the "basic agricultural commodities." At that time the basic commodities were wheat, cotton, field corn, hogs, rice, tobacco, and milk and its products. When it became apparent in the fall of 1933 that enhancement of farm income through production controls would be a slow process, CCC was created under the President's emergency powers and the first price-support loans, similar to those made today, were extended on corn and cotton. The Supreme Court in January 1936 declared unconstitutional the production control features of the Agricultural Adjustment Act of 1933 and also voided processing taxes on the ground that they were an inseparable feature of the production control scheme. Later in 1936 the Soil Conservation and Domestic Allotment Act of 1936 became law; but this act, although it made for better land use, turned out to be a poor acreage controller. Heavy crops of wheat and cotton in 1937 accentuating the twin problems of surpluses and low prices, led to passage of the Agricultural Adjustment Act of 1938—the first mandatory price-support legislation.)

The Pre-war Years (1938-40)

The Agricultural Adjustment Act of 1938, which is still basic legislation except for price-support provisions which have been rewritten, provided for (1) mandatory price-support loans on certain "basic" commodities so that the commodities could be stored in time of plenty and returned to the market when supplies became scarce—the "ever-normal granary" idea, and (2) marketing quotas on certain basic commodities, keyed to acreage allotments which were intended to keep supplies in line with market demand.

Mandatory supports:--The Agricultural Adjustment Act of 1938, as originally enacted, made supports mandatory at 52 to 75 percent of parity only for corn, wheat, and cotton.

Permissive supports:--The Agricultural Adjustment Act of 1938 authorized CCC to make loans on "agricultural commodities (including dairy products)." CCC, of course, already had authority under its charter to support virtually any agricultural commodity. "Permissive" commodities supported during the 1938-40 period included butter, dates, figs, hops, turpentine, rosin, pecans, prunes, raisins, barley, rye, grain sorghums, wool, winter cover crop seeds, mohair--and peanuts and tobacco for which, at this time, supports were also permissive.

(Curiously, there were no specific limits on supports for "permissive" commodities other than the overall objectives of the act, but the "mandatory" commodities could not be supported at levels above 75 percent of parity.)

The War Years (1941-48)

Mandatory supports on basic commodities.--An amendment to the Agricultural Adjustment Act of 1938, added April 3, 1941 made supports mandatory on peanuts at 50 to 75 percent of parity.

The act of May 26, 1941, directed CCC to make loans to cooperators on the 1941 crops of rice, tobacco, cotton, corn, and wheat at 85 percent of parity. This act was amended December 26, 1941 to add peanuts to the list of commodities to be supported at the 85-percent level and to extend applicability of the act to the 1942 through 1946 crops.

Section 8 (a) of the Stabilization Act of 1942 directed CCC to make loans to cooperators at 90 percent of parity upon any crop of cotton, corn, wheat, rice, tobacco, and peanuts harvested after December 31, 1941, and before 2 years after the end of hostilities, although section 8 (c) provided for support at lower levels to hold down costs of livestock and poultry feed, and to aid in effective prosecution of the war. (This period ended with 1948 crops of the basics.)

The act of June 30, 1944 increased the rate on cotton harvested after December 31, 1943, to $92\frac{1}{2}$ percent of parity. The act of October 3, 1944, increased the rate on cotton still further to 95 percent of parity with respect to crops harvested after December 31, 1943, and planted prior to January 1, 1945.

The act of July 28, 1945, required that the support rate on fire-cured tobacco be 75 percent of the rate for burley tobacco and that the rate for dark air-cured and Virginia sun-cured tobacco be $66\frac{2}{3}$ percent of the burley rate.

Mandatory supports on "Steagall" commodities.--Section 4 of the act of July 1, 1941, the so-called Steagall Amendment, required support at not less than 85 percent of parity or comparable price for those nonbasic commodities for which the Secretary of Agriculture or the War Food Administrator requested an expansion of production for war purposes and made public announcement to that effect. By the act of October 2, 1942, the minimum rate of support was increased

to 90 percent of parity and support at that rate was required to be continued for 2 years after the end of the war--December 31, 1948.

The Steagall commodities were: Hogs, eggs, chickens (with certain exceptions), turkeys, milk, butterfat, dry peas of certain varieties, dry edible beans of certain varieties, soybeans for oil, peanuts for oil, flaxseed for oil, American-Egyptian cotton, potatoes, and sweetpotatoes.

Other commodities.--Among the 140 or so "other" commodities supported during the war years were wool, naval stores, American hemp, sugar beets, sugarcane, black-eye peas and beans, certain fruits for processing, certain vegetables for processing, barley, grain sorghums, rye, sea island cotton, certain vegetable seeds, winter cover crop seeds, and hay and pasture seeds.

The act of August 5, 1947, required support of wool prices until December 31, 1948, at the 1946 support level.

Post-war Years
(1949-50)

Agricultural Act of 1948

Basic commodities.--The Agricultural Act of 1948 made price support on 1949 crops of the basic commodities mandatory at 90 percent of parity.

Steagall commodities.--Support on 1949 production of hogs, chickens, eggs, and milk and its products at 90 percent of parity through December 31, 1949.

Support on 1949 production of dry beans, dry peas, turkeys, soybeans, flaxseed, peanuts, American-Egyptian cotton and sweetpotatoes was set through December 31, 1949 at not less than 60 percent of parity or comparable price nor higher than the level at which the commodity was supported in 1948.

Support on potatoes harvested on or before December 31, 1948 and marketed through December 31, 1949 was maintained at 90 percent of parity. Support on potatoes harvested after December 31, 1948 and marketed through December 31, 1949 was set at not less than 60 percent of the parity price nor more than the 1948 support level.

Wool.--Support was made mandatory on wool marketed through June 30, 1950, at the 1946 level of 42.3 cents per pound for shorn wool, grease basis.

"Other" commodities.--Supports were authorized on "other" commodities through December 31, 1949, if funds were available, at levels in a fair relationship with the basics and Steagalls.

Parity calculations.--The act provided that, beginning January 1, 1950, parity prices for individual crops be computed so as to take into consideration, in addition to the 1910-14 base period, average prices for the previous 10 years. The act also provided for transitional parity--that is, limiting the drop from old to new parity to steps of not more than 5 percent of old parity per year.

Agricultural Act of 1949

Basic commodities.—Support for 1950-crop basics was made mandatory at not more than 90 percent of parity nor less than certain minimums based on the supply percentage at the beginning of the marketing year. However, the act assured mandatory 90-percent supports for 1950 crops of the basics if producers had not disapproved quotas on any crop for which marketing quotas or acreage allotments were in effect.

Designated nonbasic commodities.—Support was made mandatory on wool (including mohair) at the 60-90 percent of parity level, but it was provided that the level should be established so as to encourage an annual production of 360,000,000 pounds of shorn wool. (This latter provision made support for shorn wool mandatory at 90 percent of parity.)

Support was made mandatory for tung nuts, honey, and Irish potatoes at the 60-90 percent of parity range. However, the act of March 31, 1950 prohibited price support for potatoes of the 1951 and subsequent crops unless marketing quotas are in effect. Inasmuch as there is no legislation authorizing quotas for potatoes, mandatory support for potatoes was, in effect, brought to an end with marketing of the 1950 crop.

Support was made mandatory on milk, butterfat, and the products of milk and butterfat at the 75-90 percent of parity range.

Other nonbasic commodities.—Support was made permissive at the 0-90 percent of parity level.

Computation of parity prices.—The act provided that the parity price for any basic agricultural commodity—corn, cotton, wheat, peanuts, rice, and tobacco—as of any date during the period January 1, 1950-December 31, 1953 shall not be less than its parity price as computed by the "old" parity formula. (The old formula meant higher parity prices for wheat, corn, cotton, and peanuts, whereas the new formula resulted in higher prices for rice and tobacco.)

Korean War Period
(1951-54)

Basic commodities.—Although the Agricultural Act of 1949 provided flexible supports on 1951-crop basic commodities within the 80-90 percent of parity range, flexible provisions did not become operative. South Korea was invaded by the communists in June 1950 and the Department of Agriculture, as part of the overall defense effort, maintained supports on 1951-crop basics at the 90-percent level so as to stimulate production.

Because of the Korean War emergency, flexible provisions did not become effective with 1952 basic crops. Section 106 (a) of the act of June 30, 1952, amending the Defense Production Act, provided for price support at 90 percent of parity for the basic commodities under any program announced while Title IV of the Defense Production Act, authorizing price controls, was in effect. Title IV expired as of April 30, 1953.

Flexible provisions were postponed still further by the act of July 17, 1952, which amended the Agricultural Act of 1949 to provide for 90 percent of parity price support for the 1953 and 1954 crops of the basic commodities with respect to which producers did not disapprove marketing quotas. The act also made supports mandatory on extra long staple cotton for the first time.

Designated nonbasic commodities.--Support was mandatory, under the Agricultural Act of 1949, as follows: Wool and mohair--60 to 90 percent of parity, although the provision with respect to encouraging an annual production of 360,000,000 pounds of shorn wool assured wool support at 90 percent of parity; tung nuts and honey, 60 to 90 percent of parity; and milk and butterfat, 75 to 90 percent of parity.

Other nonbasic commodities.--Support was permissive, at any level between zero and 90 percent of parity.

Parity calculations.--The act of July 17, 1952 extended for two additional years (through December 31, 1955) the requirement that the effective parity price for the six basic commodities shall be the parity price computed under the old or new parity formula, whichever is higher.

Post-Korea
(1955 to date)

Basic commodities.--The Agricultural Act of 1954 permitted flexible provisions of the Agricultural Act of 1949 with respect to 1955 basic crops to go into effect at the $82\frac{1}{2}$ -90 percent of parity range. It permitted flexible provisions with respect to 1956 and later basic crops to go into effect at the 75-90 percent-of-parity range.

Tobacco must be supported at 90 percent of parity if marketing quotas are in effect. Also, extra long staple cotton is required to be supported at the minimum level between 75 and 90 percent of parity as indicated by the supply percentage at the beginning of the marketing year. The Secretary's discretionary authority to support basic commodities between the minimum level and 90 percent of parity will not apply in the case of extra long staple cotton.

Designated nonbasic commodities.--Support is mandatory, as follows: tung nuts and honey, 60 to 90 percent of parity; and milk and butterfat, 75 to 90 percent of parity.

The act provides for the support of wool through payments to producers--financed out of import duties on wool--at the incentive level not to exceed 110 percent of parity necessary to encourage an annual domestic production of 300,000,000 pounds. Mohair support levels were geared so as not to vary more than 15 percent above or below the comparable percent of parity wool incentive level.

Other commodities.--Support is permissive, at any level between zero and 90 percent of parity, on "other" commodities. "Other" commodities now includes Irish potatoes, for which support is now permitted within the zero to 90 percent of parity range. The act of March 31, 1950, prohibiting price support for potatoes unless marketing quotas are in effect, was repealed.

Parity calculations.--Allowed to expire was the special requirement that the effective parity price for the six basic commodities shall be the parity price computed under the "old" or "new" parity formula, whichever is higher, and transitional parity provisions become effective January 1, 1956 with respect to basics. Cotton early in 1956 had made the transition to the "new" parity base; and wheat, corn, and peanuts had shifted to the "transitional" parity basis.

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